

The Treasury

National Infrastructure Agency Information Release

August 2024

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Cabinet Document Details

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Date: 21 August 2024

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Cabinet Economic Policy Committee

Minute of Decision

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Establishing a National Infrastructure Agency

Portfolio **Infrastructure**

On 21 August 2024, the Cabinet Economic Policy Committee (ECO):

Background

1 **noted** that:

- 1.1 in April 2024, ECO noted that the Minister for Infrastructure's priorities included the establishment of a National Infrastructure Agency [ECO-24-MIN-0048];
- 1.2 the Treasury has convened an Infrastructure Expert Advisory Panel, which has made recommendations on establishing a National Infrastructure Agency, as outlined in the Panel's report attached as Appendix B to the paper under ECO-24-SUB-0168;

Clarifying the roles of the Treasury and the Commission

2 **confirmed** that the Treasury:

- 2.1 is the primary adviser to the Minister for Infrastructure on infrastructure policy;
- 2.2 will provide first opinion infrastructure advice to the Minister for Infrastructure;
- 2.3 will continue to provide second opinion advice on infrastructure policy and investment proposals to the Minister for Infrastructure and Minister of Finance based on its role as the government's lead financial and economic advisor;

3 **confirmed** that the Infrastructure Commission:

- 3.1 will provide independent advice on infrastructure matters, prioritising long-term infrastructure strategy and planning as its core focus;
- 3.2 will provide second-opinion advice consistent with its legislated strategic role, and as requested by Ministers;

4 **agreed** that the Infrastructure Commission's Public-Private Partnership (PPP) policy function be transferred to the Treasury effective by 1 December 2024;

5 **agreed** that the Infrastructure Commission's PPP support function be transferred to the National Infrastructure Agency effective by 1 December 2024;

- 6 **agreed** that:
- 6.1 in line with its independent role, the Infrastructure Commission will take a system perspective to advise government on large, complex, nationally important, or at-risk projects;
 - 6.2 in line with their proposed mandates, the National Infrastructure Agency and Rau Paenga (depending on the project in question) will be responsible for supporting agencies and entities with project delivery;
- 7 **agreed** to amend the New Zealand Infrastructure Commission/Te Waihanga Act 2019 to:
- 7.1 remove the Infrastructure Commission’s additional function to provide support services to current and proposed infrastructure projects;
 - 7.2 add a new additional function for the Infrastructure Commission to provide independent advice on current and proposed infrastructure projects;
 - 7.3 make any necessary consequential and transitional amendments;
- 8 **invited** the Minister for Infrastructure to issue drafting instructions to the Parliamentary Counsel Office to prepare an amendment Bill to give effect to paragraph 7 above;

Establishing the National Infrastructure Agency

- 9 **agreed** to repurpose Crown Infrastructure Partners Limited to the National Infrastructure Agency Limited by:
- 9.1 giving it the following functions:
 - 9.1.1 undertaking Crown Infrastructure Partner’s existing functions and responsibilities, including administering central government infrastructure funds;
 - 9.1.2 being a partner to agencies on projects involving private financing;
 - 9.1.3 acting as the Crown’s ‘shopfront’ to facilitate private sector investment in Crown infrastructure, including receiving unsolicited infrastructure proposals for the Crown;
 - 9.2 renaming Crown Infrastructure Partners Limited to ‘National Infrastructure Agency Limited’;
- 10 **agreed** that the National Infrastructure Agency will be mandated to partner with Crown agencies and entities on infrastructure projects involving private financing;
- 11 **directed** the Treasury to:
- 11.1 develop a set of criteria for mandating the National Infrastructure Agency to partner with Crown agencies and entities on infrastructure investments involving private finance;
 - 11.2 draft a new or updated Cabinet Office circular to implement the mandate described in paragraph 10 above;
- 12 **agreed** to establish the National Infrastructure Agency by 1 December 2024;

- 13 **agreed** that the Minister for Infrastructure should become a shareholding Minister in Crown Infrastructure Partners Limited (to support repurposing it to the National Infrastructure Agency), replacing the Minister for State Owned Enterprises;
- 14 **authorised** the shareholding Ministers of Crown Infrastructure Partners Limited to make the necessary changes to its constitution to implement the changes referred to in paragraph 9 above and establish the National Infrastructure Agency;
- 15 **invited** the Minister for Infrastructure, subject to Crown Infrastructure Partner Limited's Board approving the name change, to issue drafting instructions to the Parliamentary Counsel Office to prepare an Order in Council to amend Schedule 4A of the Public Finance Act 1989 to rename Crown Infrastructure Partners Limited to National Infrastructure Agency Limited;
- 16 **agreed** that the Treasury will monitor the National Infrastructure Agency;

Mandating Rau Paenga

- 17 **agreed** that Rau Paenga be mandated to deliver infrastructure projects on behalf of agencies with low infrastructure delivery capability;
- 18 **directed** the Treasury to:
- 18.1 develop a set of criteria under which Rau Paenga will be mandated to partner with Crown agencies and entities to deliver infrastructure investments;
- 18.2 explore options for assessing agency infrastructure delivery capability;
- 18.3 draft a new or updated Cabinet Office circular to implement the mandate described in paragraph 17 above;
- 18.4 [33]

Implementation Plan – National Infrastructure Agency Establishment Board

- 19 **invited** the shareholding Ministers of Crown Infrastructure Partners Limited to review the composition of its Board to ensure it has the appropriate experience and capability needed;

Financial implications

- 20 **noted** that in Budget 2024, \$5.098 million in 2024/25 was appropriated to Vote Finance to establish the National Infrastructure Agency [CAB-24-MIN-0148.32, Initiative No. 15445];

Equity funding for the National Infrastructure agency

- 21 **noted** that at present, Crown Infrastructure Partners Limited is funded through a non-departmental capital appropriation for equity injections, which has funding remaining of \$201.183 million;
- 22 **noted** that the change in legal entity name of Crown Infrastructure Partners Limited to National Infrastructure Agency Limited will require a new appropriation;

- 23 **agreed** to establish the following new multi-year appropriation, to run from 1 December 2024 to 30 June 2029:

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Finance	Minister for Infrastructure	Treasury	Crown Infrastructure Financing Agency – Equity Injection	Non-Departmental Capital Expenditure	This appropriation is limited to investment in a Crown infrastructure financing agency.

- 24 **agreed** that the remaining funding in paragraph 21 above, less the National Infrastructure Agency capital to operating transfer referred to in paragraphs 29 to 32 below, be transferred to the new appropriation agreed above for the investment in a Crown infrastructure financing agency;

- 25 **approved** the following change to appropriations to give effect to the policy decision in paragraph 24 above, with no impact on net core Crown debt:

Vote Finance	\$m – increase/(decrease)					2029/30 & Outyears
	2024/25	2025/26	2026/27	2027/28	2028/29	
Minister for Infrastructure Non-departmental Capital Expenditure: Crown Infrastructure Financing Agency – Equity Injection			165.858			-
Minister of Finance Non-departmental Capital Expenditure: Crown Infrastructure Partners Limited – Equity Injection			(165.858)			-

- 26 **noted** that the indicative spending profile for the new multi-year appropriation described in paragraph 23 above is as follows:

Vote Finance Minister for Infrastructure	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29
Crown Infrastructure Financing Agency – Equity Injection	75.096	53.919	36.843	-	-

Operating funding for the National Infrastructure Agency

- 27 **noted** that Treasury officials have identified that the most efficient option to reprioritise funding for National Infrastructure Agency operating costs is a reprioritisation of:
- 27.1 interest income from Investment Reference Group (IRG) within Crown Infrastructure Partners Limited; and
 - 27.2 a capital to operating swap from the funds identified in paragraph 21 above;
- 28 **noted** that the funding described in paragraph 27.2 above is considered to be funding neutral, but that there will be a corresponding reduction in the operating balance;

Reprioritisation of Crown Infrastructure Partners Equity Injection

- 29 **noted** that Crown Infrastructure Partners Limited has indicated that scaling down previously planned Infrastructure Funding and Financing (IFF) projects could release up to \$50.000 million;
- 30 **noted** that the funding referred to in paragraphs 27.2 and 29 above is tied to a share subscription between the Crown and Crown Infrastructure Partners Limited, and that for any reprioritisation to occur, Crown Infrastructure Partners Limited will need to relinquish its rights to call on the balance of the uncalled share capital;
- 31 **authorised** shareholding Ministers for Crown Infrastructure Partners Limited to negotiate changes to the share subscription agreement to reduce the liability for uncalled capital in order to provide for operational funding for the National Infrastructure Agency;
- 32 **authorised** the Minister for Infrastructure and the Minister of Finance to jointly agree any necessary changes to appropriations, establishing any new appropriations as necessary, to give effect to the policy decisions in paragraphs 29 to 31 above;

Reprioritisation of Investment Reference Group (IRG) grant income for National Infrastructure Agency

- 33 **noted** that Crown Infrastructure Partners Limited has advised that it will generate an additional \$6.000 million interest income in the 2024/2025 financial year from Investment Reference Group (IRG) grant income provided in prior years;
- 34 **noted** that Crown Infrastructure Partners Limited has confirmed that the above amounts have not previously been included in the fiscal forecasts;
- 35 **noted** that Treasury officials have identified the Crown Infrastructure Partners Limited's IRG interest as an additional viable funding source for the Crown Infrastructure Financing Agency, and recommend that these be reprioritised within the entity;
- 36 **agreed** to waive any requirement for return to the centre of the interest accrued by Crown Infrastructure Partners Limited referred to in paragraphs 33 and 35 above to enable its reprioritisation, with no impact on the operating balance and net core Crown debt (as this funding is being recycled by the entity);
- 37 **noted** that Cabinet is due to consider changes to the governance of the IRG Shovel Ready programme, including authorising the Minister for Infrastructure and the Minister for Regional Development, alongside Crown Infrastructure Partners Limited shareholding Ministers, to make decisions and give direction on the programme, including on the use of the additional \$6.000 million of interest;

- 38 **authorised** the Minister for Infrastructure and the Minister of Finance to jointly agree any necessary changes to appropriations to provide for Crown Infrastructure Partners Limited reprioritising its interest income as described in paragraphs 33 to 36 above;

Reprioritisation of funding to Treasury operating

- 39 **noted** that Treasury has identified an ongoing annual operating cost pressure of \$1 million relating to the transfer of policy advice functions;
- 40 **noted** that officials have identified potential savings within Rau Paenga which could be reprioritised to fund the cost pressure mentioned above, through a fiscally neutral transfer of \$2.583 million over the financial years 2024/25 - 2026/27 from Rau Paenga's time-limited, Central Crown Infrastructure Delivery operating appropriation;
- 41 **noted** that the funding referred to in paragraph 40 above is tied to a Central Crown Infrastructure Delivery operating funding agreement that would need to be modified prior to any appropriation changes;
- 42 **authorised** shareholding Ministers for Rau Paenga to negotiate changes to the Central Crown Infrastructure Delivery operating funding agreement to reduce the call on future funding for Rau Paenga;
- 43 **authorised** the Minister for Infrastructure and the Minister of Finance to jointly agree any necessary changes to appropriations to give effect to the funding decisions referred to in paragraphs 39 to 42 above;
- 44 **noted** that the temporary nature of this funding uplift means that the Treasury will need to either seek additional funding after 2026/27 or reprioritise to manage ongoing costs;
- 45 **noted** that reducing funding for Rau Paenga creates risk that they exhaust their multi year appropriation (MYA) (which runs to 1 January 2027) earlier than forecast, or they will need to increase fees for new clients, reduce services, phase or decline support for new projects or seek additional Crown funding;

Infrastructure Commission operation position

- 46 **noted** that the Infrastructure Commission will reprioritise funding internally in order to manage additional costs associated with the above proposals;

Sustainable cost recovery

- 47 **noted** that the National Infrastructure Agency and Rau Paenga have time-limited funding, and that over time the intention is to introduce a cost recovery model for both entities, but additional funding may be required for ongoing non-cost recoverable activities;
- 48 **agreed** that the changes to appropriations for 2024/25 above be included in the 2024/25 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

Communications

- 49 **noted** that the Minister for Infrastructure intends to announce the 1 December 2024 establishment of the National Infrastructure Agency at the Building Nations Conference on 28 August 2024;
- 50 **agreed** that the paper under ECO-24-SUB-0168, including Appendices A, B and C, be released after the Minister for Infrastructure has made announcements in August 2024;

- 51 **noted** that the Minister for Infrastructure will write to Board Chairs of relevant entities on an in-confidence basis ahead of the public announcements;

Further report

- 52 **noted** that the Minister for Infrastructure will report back to ECO in October 2024 seeking agreement to final decisions to establish the National Infrastructure Agency and implement Rau Paenga's mandate on 1 December 2024;

Three-year review

- 53 **noted** that in 2019, the previous government agreed that the Treasury should review the Infrastructure Commission's functions and form within five years of its establishment [DEV-19-MIN-0021];
- 54 **agreed** that the Treasury should review the Infrastructure Commission in three years' time, alongside the National Infrastructure Agency and Rau Paenga, including a review of system performance, entity form and progress towards sustainable cost-recovery.

Rachel Clarke
Committee Secretary

Present:

Rt Hon Christopher Luxon
Rt Hon Winston Peters
Hon David Seymour
Hon Brooke van Velden
Hon Nicola Willis
Hon Chris Bishop
Hon Simeon Brown
Hon Erica Stanford
Hon Louise Upston
Hon Judith Collins KC
Hon Paul Goldsmith
Hon Todd McClay
Hon Tama Potaka
Hon Simon Watts
Hon Melissa Lee
Hon Chris Penk
Hon Penny Simmonds
Hon Andrew Bayly
Hon Mark Patterson
Simon Court MP
Jenny Marcroft MP

Officials present from:

Office of the Prime Minister
Office of Hon Chris Bishop
Office of Hon Simeon Brown
Office of Simon Court MP
Officials Committee for ECO